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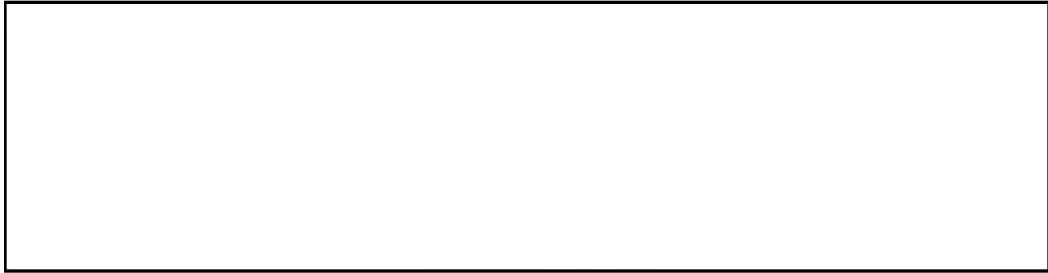
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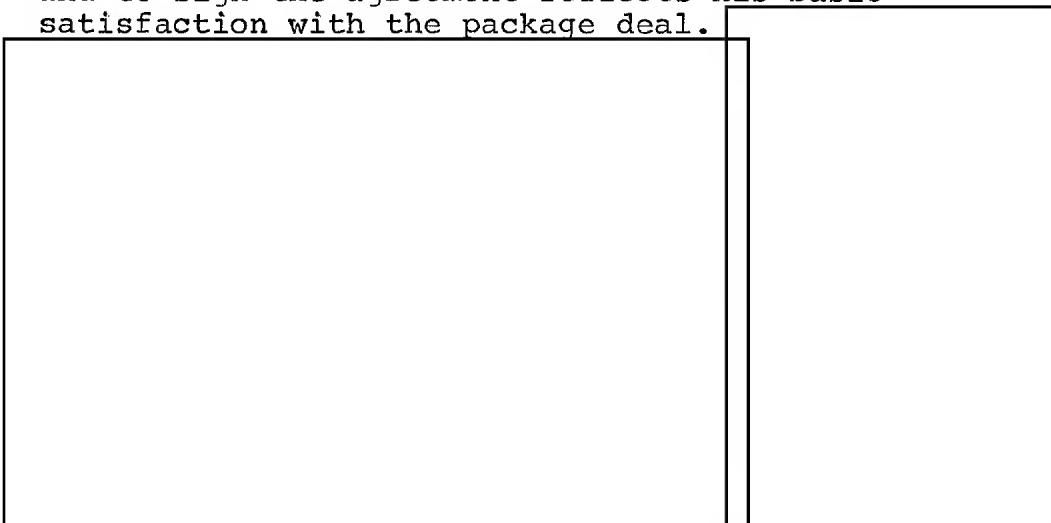


The Two Germanies Conclude "Package Deal" to Facilitate Transit Traffic to Berlin

The East and West German governments concluded the long-awaited package deal to improve road and rail routes to Berlin on December 19--one day later than scheduled. The delay probably was caused by East German bureaucratic difficulties in processing the final documents, and not by the growing controversy about reports that East German authorities have put up for adoption children whose parents have tried to escape to the West.

Schmidt's decision to ignore opposition criticism over the forced adoption controversy and to sign the agreement reflects his basic satisfaction with the package deal.

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On balance, the government will probably derive more political advantages than disadvantages from its decision to conclude the transit accord.

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The Christian Democrats will continue to hammer on the adoption issue, arguing that the Schmidt government has mismanaged the entire scope of inter-German relations. The package deal promises, however, to facilitate transit traffic to West Berlin and is a strong affirmation of Bonn's determination to support and develop ties with the city.

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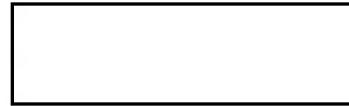
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UK-Iceland Cod War Cools Off

The approach of the Christmas holidays has produced a lull in the almost daily skirmishes recently between Icelandic patrol boats and British trawlers inside Iceland's unilaterally declared 200-mile fishing zone. The only incident in the week-long lull occurred on December 18 when an Icelandic Coast Guard ship cut a trawl wire of a British fishing vessel 26 miles from the coast of Iceland. The Icelandic boat reportedly was then chased from the area by several British trawlers.

The withdrawal of most British trawlers from the contested waters during the holidays will give the Icelandic and British governments another chance to negotiate a settlement in a calmer atmosphere unburdened by the pressures and publicity resulting from incidents between vessels of the two countries. Unless both sides make serious efforts over the holidays to get the stalled negotiations going again, however, the cod war is certain to heat up when the British vessels return.

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Tax Issue Provokes Coalition Impasse in Finland

Disagreement over a minor tax issue may lead to a Communist withdrawal from Finland's three-week-old coalition government.

The impasse between the Communists and the other four coalition parties developed after Communist coalition negotiators persuaded the other government parties to agree to a modified tax on automobiles and gasoline. The Communist Party leadership, however, later disavowed its own parliamentary group and rejected the proposal. The Communists then called for another round of negotiations on the issue.

An exasperated Prime Minister Miettunen said that he will consider the Communist proposal for another round of negotiations and announce his decision on December 29. If he rejects another round of negotiations and the Communists vote against the modified tax proposal, they could be asked to leave the government. Without the Communists, the remaining parties--the Social Democrats and three center parties--would retain a majority in parliament.

As in most areas of Finnish politics, President Kekkonen will have the last word. In a surprise move three weeks ago, he upstaged government formation efforts by ordering the Communists and Social Democrats to join a government. Kekkonen feels that a broadly based government is needed to tackle Finland's critical economic problems. A Communist withdrawal from the government at this time could force Kekkonen to intervene again.

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Austria's Security Measures Questioned

Chancellor Bruno Kreisky is defending his handling of the OPEC terrorist incident in the face of strong criticism at home and abroad. Within 24 hours, Kreisky had granted all the terrorists' demands, including publicizing their polemical statements in the local media and providing a plane to fly the terrorists and their hostages out of Austria today. Several Arab countries have criticized Austria for failing to provide adequate security measures for the top-level OPEC meeting, and some of Kreisky's political opponents have scored him for giving in so easily.

The Chancellor rejected the critics' charges and said the action had been taken at the express wish of the ambassadors of the countries involved. According to Kreisky, he had rejected long, drawn out negotiations because there already had been casualties and the safety of the hostages would have been further jeopardized if the government delayed granting the concessions. He said it was virtually impossible to prevent such terrorism.

This is the second time Kreisky has caved in to terrorist demands. In 1973 he ordered the closure of a Jewish transit camp to save the lives of four hostages held at the Vienna airport by two Arabs. A similar camp was subsequently opened, however, and continues to process transient Soviet Jews.

Kreisky may have to improve security arrangements for OPEC and the numerous other international organizations that are headquartered in Vienna. Indeed, Austrian hopes to turn Vienna into another "UN city" will require them to be more responsive to foreign demands, inter

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alia, for better security. The main opposition party, the Austrian People's Party, is usually at pains to find flaws in Kreisky's policies and may zero in on the security issue, pointing out the deficiencies which have left the government virtually helpless on two occasions.

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Annex

Portuguese Non-Communists Work to Enhance Role in
Organized Labor

Non-Communist forces in Portugal, firmly in control of the government since the unsuccessful uprising by leftist paratroopers on November 25, are mounting a serious challenge to the dominant position in organized labor that the Portuguese Communist Party achieved following the overthrow of the Caetano regime in April 1974. The non-Communists' chances for improving their standing with labor are good, barring disastrous economic developments which could threaten political stability.

The Communists' early advantage was the result of adroit maneuvering rather than popular strength. The Communist Party was the only opposition political group to maintain an effective underground organization during the Salazar and Caetano regimes. After April 1974 the Communists quickly took over the local union set up under the corporate state system and replaced the government hacks in it with young pro-Communist workers.

The Communists also sought to legalize their preeminent position when the other political parties began to compete with the Communists in the individual unions. To that end, they strongly supported the unitary labor law promulgated in April 1975 after several months of heated debate. Under the law, only one labor confederation--the Intersindical--is authorized and it has exclusive rights to affiliate with international labor organizations.

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Even though the Socialists and other anti-Communists could not block this legislation they did manage to bargain the adoption of several favorable provisions, including the freedom for unions not to join the confederation and the requirement for new secret ballot elections for union leadership. These concessions, coupled with the non-Communists' victory in constituent assembly elections in April 1975, enabled the non-Communists to pick up support from many unions. In several union elections, the Socialists joined forces with the far-left, but virulently anti-Communist, Reorganizing Movement of the Proletariat Party and gained control of most of the white collar unions. The Communists retain the advantage among blue collar workers--particularly in the Lisbon industrial area.

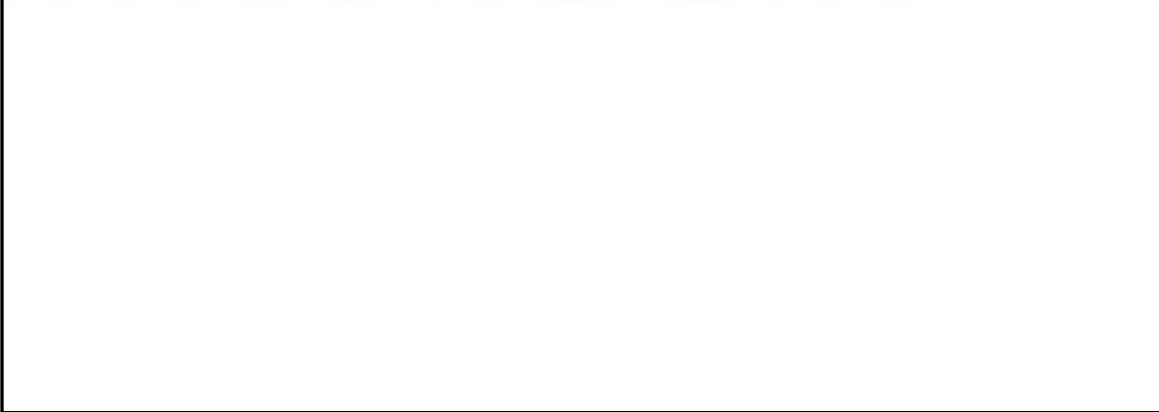
Although it has suffered a series of setbacks in recent months, the Portuguese Communist Party retains sufficient labor strength to make trouble for a government which is trying to stave off economic collapse. Fed on Communist slogans since April 1974, Portuguese workers have come to expect a higher income for much less work. Government officials fear that if foreign economic assistance is not forthcoming soon, the severe economic restrictions they will be forced to adopt will provoke labor unrest that could again tip the power balance in favor of the Portuguese Communists. The critical foreign exchange situation threatens to bring things to a head early next year, when reserves are expected to run out.

The government seems strong enough now to begin implementing some of the needed austerity measures. But before the November 25 military uprising, the Communists--with minimum representation in the government--had managed to paralyze the government through the effective use of labor support. Communist-led construction workers besieged Prime Minister Azevedo's residence on November 13 and forced him to retreat on wage constraints. Government

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officials fear that unless they receive outside help, the deteriorating economy will give the Communists an issue on which they can rally popular support and replay the challenges of early November.

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The new constitution, now being drafted by a constituent assembly in which non-Communists have the majority, will presumably reflect the government's final decisions with regard to labor organizations. The draft articles approved by the assembly in October provide for the free formation of labor organizations at all levels and the right to affiliate with international labor organizations.

The constituent assembly has also sanctioned another type of labor organization--the workers commission--as an alternative to Communist-controlled unions. The commissions are designed to serve a liaison function to management and government, while the unions retain responsibility for contract negotiations. The advantage of the commissions is that they represent the workers of an entire company, whereas the same company may have as many as 30 to 40 separate unions.



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